

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC
TO AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY TOKYO
INFO AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 132820

E.O. 11652:GDS

TAGS: EFIN, CG

SUBJECT: PARIS CLUB MEETING ON ZAIRE
REFS: (A) KINSHASA 5398; (B) STATE 129171
1. WE HAVE BEEN ADVISED THAT THE CHAIRMAN OF THE PARIS
CLUB HAS SET JULY 6-7 FOR A MEETING ON ZAIRE DEBT. THE
OBJECTIVE OF THE MEETING WILL BE TO NEGOTIATE A RESCHED-
ULING OF ZAIRE'S 1977 DEBT SERVICE. USG VIEWS ON WHAT
THE CREDITORS SHOULD HOPE TO ACCOMPLISH AT THIS MEETING
ARE DISCUSSED BELOW. REQUEST YOU CONTACT APPROPRIATE HOST
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GOVERNMENT OFFICIALS TO DISCUSS USG VIEWS, AND TO SOLICIT
HOST GOVERNMENT THINKING ON THE POINTS RAISED.

2. LAST JUNE'S PARIS CLUB MEETING COVERED DEBT MATURING
THROUGH 12/31/76. PRINCIPAL AND INTEREST ARREARAGES ON
DEBT MATURING THROUGH 6/30/76, AND PRINCIPAL PAYMENTS
MATURING BETWEEN 7/1/76 AND 12/31/76 WERE RESCHEDULED.

THE AGREEMENT ALSO ENVISIONED A RESCHEDULING OF PRINCIPAL PAYMENTS MATURING IN 1977, ALTHOUGH A FINAL DECISION REGARDING 1977 WAS LEFT TO THE NEXT MEETING OF THE PARIS CLUB.

3. ZAIRE IS CURRENTLY FACING A SEVERE FOREIGN EXCHANGE BIND. WE BELIEVE, HOWEVER, THAT PROSPECTS SHOULD IMPROVE CONSIDERABLY IN THE 2ND HALF OF 1977. (REFTEL A) THE

MOST SIGNIFICANT FACTOR IS THE LIKELIHOOD OF SUBSTANTIALLY INCREASED RECEIPTS FROM COFFEE EXPORTS. IF COFFEE PRICES HOLD WE BELIEVE ZAIRE'S 1977 EARNINGS FROM ITS POTENTIAL 90,000 TON COFFEE CROP COULD APPROACH DOLS 500 MILLION. (THE FACT THAT COFFEE PRODUCTION REQUIRES FEW IMPORTED INPUTS ENHANCES THE BENEFIT OF SUCH EXPORTS.) MUCH WILL, HOWEVER, DEPEND ON THE SUCCESS OF GOZ EFFORTS TO REFORM ITS COFFEE EXPORT INDUSTRY.

4. IN VIEW OF ZAIRE'S CURRENT BALANCE OF PAYMENTS CONSTRAINTS, WE BELIEVE THAT THE CREDITORS MUST BE SOMEWHAT MORE GENEROUS THAN WAS ENVISIONED AT LAST YEAR'S PARIS CLUB. WE BELIEVE 1977 AGREEMENT WHICH RESCHEDULED (1) PRINCIPAL PLUS INTEREST FOR THE FIRST HALF OF 1977 AND (2) PRINCIPAL FOR THE 2ND HALF OF 1977 WOULD BE A MORE REALISTIC REFLECTION OF ZAIRE'S CURRENT POSITION. WE BELIEVE REPAYMENT TERMS SHOULD BE ALONG THE LINES AS THOSE ENVISIONED IN 1976 PARIS CLUB ACCORD.

5. WE ALSO BELIEVE THE RESCHEDULING SHOULD BE TIED TO CONFIDENTIAL

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ZAIRE'S COMMITMENT TO CONTINUE IMPLEMENTING ITS IMF STABILIZATION PROGRAM. ZAIRE'S PERFORMANCE UNDER THE STABILIZATION PROGRAM WILL BE A KEY ELEMENT IN ITS ECONOMIC RECOVERY, AND THE GOZ'S COMMITMENT TO THE IMF SHOULD BE BOTH COMMENDED AND ENCOURAGED. WE SHOULD ALSO URGE THAT GREATER EFFORTS BE MADE TO IMPROVE COLLECTION OF AND REPORTING ON DATA ON ZAIRE'S EXTERNAL DEBT.

6. IN ADDITION WE CONTINUE TO FEEL ANY RESCHEDULING AGREEMENT SHOULD BE CONDITIONED ON ZAIRE OBTAINING ROUGHLY COMPARABLE TREATMENT FROM THE PRIVATE BANKS. LAST YEAR'S PARIS CLUB AGREEMENT CALLED ON ZAIRE TO SEEK SUCH "COMPARABLE" TREATMENT. THE RESULT WAS THE "LONDON AGREEMENT" UNDER WHICH BANKS PLEDGED THEMSELVES TO A "BEST EFFORT" COMMITMENT TO PROVIDE NEW FINANCING (DOLS 250 MILLION IN MEDIUM-TERM CREDITS) PROVIDED THAT CERTAIN UNDERTAKINGS WERE CARRIED OUT BY THE GOZ. WE UNDERSTAND ZAIRE IS CURRENT ON ITS INTEREST PAYMENTS TO THE BANKS. IN ACCORDANCE WITH THE PROVISIONS OF THE

AGREEMENT, THE GOZ ALSO IS MAKING PAYMENTS ON PRINCIPAL (INCLUDING ARREARAGES EXISTING AT TIME OF LONDON AGREEMENT) FALLING DUE PRIOR TO 6/30/77 INTO A BLOCKED BIS ACCOUNT. WE BELIEVE THE LONDON AGREEMENT'S COMMITMENT TO DOLS 250 MILLION IN MEDIUM TERM CREDITS WOULD IN FACT PROVIDE FOR ROUGHLY COMPARABLE TREATMENT WITH THAT ACCORDED TO OFFICIAL CREDITS. HOWEVER, THE OUTCOME OF THE BANKS' "BEST EFFORTS" TO RAISE A MEDIUM-TERM CREDIT REMAINS UNCERTAIN. (FYI. WE DO NOT REGARD CITIBANK'S PROPOSAL AS DESCRIBED IN REFTEL B AS CONSTITUTING ROUGH

COMPARABILITY. END FYI.) UNTIL SUCH TIME AS THE SITUATION VIS-A-VIS THE PRIVATE BANKS CLARIFIES, THE USG WOULD NOT BE ABLE TO SIGN A BILATERAL USG-GOZ AGREEMENT FOR 1977.

7. THE USG BELIEVES IT IS PREMATURE TO NEGOTIATE ANY
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AGREEMENT COVERING 1978 DEBT SERVICE. WE COULD, HOWEVER, SUPPORT ANOTHER PARIS CLUB MEETING IN LATE 1977 TO REVIEW THE GOZ'S PERFORMANCE AND ITS BALANCE OF PAYMENT PROSPECTS FOR 1978.

8. FOR PARIS: THE CHAIRMAN OF THE PARIS CLUB'S VIEWS ON THE ABOVE ISSUES ARE PARTICULARLY IMPORTANT, SINCE IT IS LIKELY THAT THE GOF AND THE GOZ HAVE ALREADY DISCUSSED THE TYPE OF AGREEMENT WHICH MAY EMERGE FROM THE JULY 6-7 MEETINGS. WE WOULD THEREFORE APPRECIATE GOF VIEWS IN AS MUCH DETAIL AS POSSIBLE. PLEASE ADVISE CHAIRMAN THAT WHILE FRANCE IS FIRST CREDITOR WE HAVE CONTACTED ON THIS ISSUE, WE WILL ALSO BE DISCUSSING OUR VIEWS IN BONN, BURSSELS, LONDON, AND TOKYO NEXT WEEK.

9. FOR BONN, LONDON, BRUSSELS, TOKYO: FOR PROTOCOL REASONS WE WISH TO PRESENT OUR VIEWS TO PARIS CLUB CHAIRMAN PRIOR TO OTHER CONTACTS. REQUEST YOU THEREFORE DELAY IN CONTACTING HOST GOVERNMENT OFFICIALS UNTIL WEEK OF JUNE 13. VANCE

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